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POLICY ISSUES: COORDINATION AND COOPERATION WITHIN AND OUTSIDE THE UNITED NATIONS, INCLUDING NON-GOVERNMENTAL ORGANIZATIONS

Policy and advisory services of the United Nations Environment Programme in the key area of economics, trade and financial services

Report of the Executive Director

Summary

The present report provides a brief account of activities undertaken by the secretariat of the United Nations Environment Programme (UNEP) in the field of economics, trade and financial services. In particular, activities performed by the secretariat include policy guidance and technical support to enhance capacities of countries, particularly developing countries and countries with economies in transition, in the development and application of integrated environment and economic analysis, policies and instruments for sound environmental management and sustainable development. The provision of these services was requested by the Governing Council of UNEP at its seventeenth, eighteenth and nineteenth sessions. In addition, through the present report, the Executive Director is seeking guidance from the Governing Council on the direction of proposed future activities of the secretariat in the area of economics, trade and financial services.

Suggested action by the Governing Council

The Governing Council may wish to:

1. Request the Executive Director to strengthen the secretariat, in order to enable it to provide further assistance to countries, particularly

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developing countries and countries with economies in transition, in enhancing their capacities to integrate environmental considerations into development planning and decision-making, through the further development and application of environmental impact assessments, environmental valuation, natural resource accounting, and economic instruments at the country level as well as in the implementation of multilateral environmental agreements. Assistance is to be geared to reflect the social and economic and development priorities, as well as the needs and capacities of individual countries;

2. Request the Executive Director to strengthen the secretariat, in order to enable it to continue its work related to trade and environment, including its efforts to enhance understanding of the environmental effects of trade, with a view to strengthening the capacities of countries, particularly developing countries and countries with economies in transition, to design and implement policies to integrate environmental considerations in trade policies, and to continue its work with international environmental conventions administered by the United Nations Environment Programme on the effectiveness of market-based incentives in achieving their objectives and the relationship between trade measures in the conventions and international trade policy, thus ensuring that trade and environmental policies are mutually supportive;

3. Request the Executive Director to continue to collaborate with the private sector, in particular the financial-service sector, with a view to enhancing its contribution to sustainable development activities and programmes through the integration of environmental considerations into the internal and external operations of financial-service institutions.

I. OVERVIEW

1. Although the concept of sustainable development was introduced by the World Commission on Environment and Development in 1987, and the 1992 United Nations Conference on Environment and Development clearly underlined the importance of integrating environmental, social and economic considerations, in most instances environmental policy has continued to be implemented in isolation from mainstream economic policy. This has been due primarily to a lack of understanding of the full environmental and social implications of development, in particular for the economy and the welfare of the population. It can also been attributed to the lack of practical and implementable approaches and methodologies which would facilitate this integration and the lack of the necessary knowledge and capacity in developing countries and countries with economies in transition to develop, adapt and apply such methodologies. In addition, it has resulted from inadequate cooperation, exchange of knowledge and experience between developed and developing countries and between developing countries themselves, and the failure to address their concerns and to surmount obstacles to the integration of environmental considerations in core macroeconomic policy. These concerns are related to growth and development, competitiveness and market access, and the need for financial and technology transfers.

2. UNEP continues to develop assessment and incentive tools and methodologies through the sponsoring of research, resource documents, training materials and expert group meetings, while placing special emphasis on the involvement of institutions and individuals from developing countries and countries with economies in transition as an effective means for ensuring responsiveness to the needs of countries and a practical approach to capacity-building. Those activities include:

(a) Technical and policy advice on the use and application of environmental-assessment tools and in the design and application of market-based instruments, increasing efficiency and cost-effectiveness in their applications in dynamic and macroeconomic settings, and assistance with the preparation of training and educational materials to enhance the capacities of Governments to apply environmental impact assessments, environmental valuation and environmental and natural resource accounting to economic analysis and macroeconomic policies at the national level and to enhance regional and international cooperation in these areas to address global and regional environmental challenges;

(b) Analysis of the different economic and other environmental linkages and complementarities between trade and environment policies, international agreements and trade; building coherence and coordination among UNEP-administered multilateral environmental agreements, particularly with respect to the use of trade-related measures and their effectiveness in achieving environmental objectives, and the use of market-based incentives in the implementation of such agreements; and facilitating consultative processes and capacity-building activities with a view to integrating environmental considerations into macroeconomic and trade policies;

(c) Efforts to enhance awareness and understanding of environmental considerations and their incorporation into the internal and external operations, including the investment and lending policies, of banks and

insurance companies; to assist in the further development and application of tools such as environmental impact assessments, risk assessment, environmental audit and environmental accounting by financial institutions; and to enhance the involvement of the financial services sector in complementing government policies to achieve environmental objectives and in the implementation of multilateral environmental agreements.

3. The use and application of environmental-assessment and incentive tools, if appropriately developed and applied, can provide an effective means of integrating environmental considerations into macroeconomic policies and decision-making and, accordingly, promote the attainment of sustainable development. While assessment tools (environmental impact assessments, environmental valuation and environmental and resource accounting) provide policy makers and practitioners with tools to assess the optimum allocation and use of natural resources, as well as the potential impacts and implications of development plans, market-based incentives can be designed to supplement assessment tools to influence attitudes and production and consumption patterns, with a view to ensuring a more sustainable use of resources. Economic instruments have also been recognized as effective tools in the implementation of multilateral environmental agreements.

4. It has been frequently stated that trade is the engine for growth and that trade liberalization is a necessary prerequisite to promote and sustain this growth. A clearer understanding of the environmental benefits and costs of trade is needed, however, at the country level. There is a need to clarify the compatibility as well as the complementarity between trade policy and environmental policy, to ensure sustainable trade and development. Policies which result in win-win situations in promoting trade, while at the same time preserving the environment, need to be identified, and best practices communicated and options for future work outlined. This work should take full account of the concerns of developing countries, particularly with respect to market-access issues and their need to promote trade to generate external earnings and employment, issues dealing with environmental standards and competitiveness, and the need to ensure consistency between national priorities and international obligations under multilateral environmental agreements. It has been increasingly recognized that, in order to address effectively the challenge of integrating environmental considerations in trade and trade policies, issues such as international cooperation on environmentally sound technologies, financial transfers, the use of market-based incentives and capacity-building, need to be taken into account.

5. It is widely recognized that environmental issues are creating both opportunities and challenges for the business community. In 1996, private capital flows to finance environmental investments and development projects in sectors such as power, water, manufacturing, and industry were estimated to range between $300 billion and $600 billion. Private capital flows in developing countries totalled $234 billion in 1996, an increase of $80 billion over 1995 levels. By comparison, official development assistance in 1996 represented only $55.1 billion, equivalent only to 0.25 per cent of the gross national product of member countries of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD). Environmental products and services markets are booming and companies are racing to tap this sector's enormous potential. On the other

hand, environmental regulation is forcing businesses to take legal and financial responsibility for reducing their impact on the environment. In order to further sustainable development, it is imperative that Governments and the financial services sector work closely to enhance their understanding of the environmental and ecological risks associated with public and private investment and develop policies and incentives which promote the implementation of sustainable public and private investments.

6. UNEP undertakes the formulation and implementation of activities, including the identification of priority activities, through an open and transparent approach which involves major stakeholders, including government departments, non-governmental organizations, industry, the private sector and relevant international organizations.

II. ACTIVITIES IN THE AREAS OF CONCENTRATION RELATED TO ECONOMICS, TRADE AND FINANCIAL SERVICES

7. Activities of the secretariat related to economics, trade and financial services endeavour to support the development and implementation of UNEP programme areas, including freshwater management, the conservation and sustainable use of biological diversity, improved marine and coastal management, industrial cleaner production and eco-efficiency initiatives, as well as multilateral environmental agreements.

A. Environmental impact assessments

8. UNEP has continued to contribute to the further development and use of environmental impact assessments as a cost-effective and practical tool for integrating environment and development considerations in decision-making at policy, programme, and project levels and for enhancing local capacities. An effective tool for the latter is the UNEP Environmental Impact Assessment Training Resource Manual, launched in 1996, whose main objective is to enable trainers to develop tailor-made training courses for the different target groups concerned with environmental impact assessments, and its companion volume, Issues, Trends and Practice, which is designed to enhance the capacity to devise suitable country-specific environmental impact assessment guidelines and address emerging issues in this area. The training resource manual has been extensively used, particularly in developing countries and countries with economies in transition, and has proved an effective tool in assisting countries identify their environmental impact assessment capacity-building requirements and the preparation of training programmes which meet the specific requirements of countries.

9. The design process of UNEP activities is based on the active involvement of institutions and experts in developing countries and countries with economies in transition in identifying training needs and formulating and delivering training programmes. Capacity-building workshops are used to identify national capacity-building and training needs in environmental impact assessment, to develop training programmes and courses in specific priority areas identified by local experts, and to create a roster of specialists. To provide the necessary support and guidance in the formulation and implementation of activities in this area, including the preparation of resource documents, UNEP established an international working

group of experts on environmental impact assessment, selected so as to represent the views and concerns of a wide range of experts with different experiences, perspectives and backgrounds. As a result of this design approach, UNEP resource documents in this area have received almost universal support.

10. The further use and integration of environmental impact assessments into national policy, programme development and project planning will require the development of a framework for a national environmental impact system that emphasises strategic use and its linkages with other assessment and incentive tools. For the biennium 2000-2001, UNEP intends to revise and update the above-mentioned Manual, taking into account the results of national workshops, with a view to incorporating elements of an integrated approach and to linking environmental, economic and social assessment in support of sustainable development. It is also recommended that further capacity-building workshops on environmental impact assessment be held to ensure that the environmental-impact-assessment process is extended to help formulate and implement sustainable development programmes and policies.

B. Environmental and natural-resource accounting

11. UNEP has continued to develop and promote the application of methodologies and approaches that integrate environmental and social elements into national-income-accounting frameworks, with a view to providing policy makers with information on the significance of environmental and natural resources and the implications of development plans and activities on natural-resource depletion and degradation.

12. The production of an operational environmental and natural-resource-accounting manual followed the same approach and process adopted in the preparation of the UNEP environmental-impact-assessment documents, whereby an international working group of experts was established to oversee and provide technical input in the development of the resource document. It is planned that the manual, which was completed by the end of 1998, will undergo further development and refinement as feedback from the practical introduction and application of the proposed methodologies is received.

13. At the current time, the system of national accounts does not take into account or reflect the degradation and depletion of natural resources. A better understanding of the environmental implications of macroeconomic policies needs to be ensured. UNEP's future work will focus on demonstrating the importance of environmental and natural resource accounting and sharing experience in such accounting, through the introduction and application of the manual, and will also focus on human and institutional capacity-building in that area. Accounting for environmental costs and liabilities at the corporate level has been taken up by the major accounting bodies over the past five years to a greater or lesser degree. The effect has been that, particularly for developing countries and countries with economies in transition, there has been a lack of clear guidance to national standard-setters that will allow for the proper accounting and subsequent valuation of the impacts of these enterprises. In order to address this gap, UNEP, working in partnership with the United Nations Conference on Trade and Development (UNCTAD), produced a guidance manual to be used by those

preparing and using such accounts, as well as by national standard-setters and regulators, that harmonizes the national standards at an international level. The manual has been tested in developing countries, where it has found almost universal acceptance, and efforts must now be made to promote its use at a global level.

C. Valuation of environmental and natural resources

14. With a view to promoting the further development and application of valuation methodologies as a basis for the internalization of environmental costs, UNEP is working, inter alia, on the development of valuation methodologies for environmental goods and services and for the quantification of damage incurred through the use of resources, including transboundary externalities and non-market services, such as those measured in recreational values, option values and existence values. Such services are essential for enhancing the integration of environmental considerations in policy and decision-making.

15. Current activities by UNEP in this area are directed primarily towards assisting developing countries and countries with economies in transition in applying valuation methodologies by providing them with educational and training materials on the use of economic valuation for environmental management, taking into account the social, traditional and cultural considerations and the practicality and effectiveness of the use of such tools in those countries. These activities include the review and analysis of experiences in developing countries and countries with economies in transition through case-studies on the use of different valuation methodologies and approaches for the valuation of different natural resources. A compendium of country case-studies on the application of valuation methodologies in developing countries and countries with economies in transition and a book focusing on developing country experience were published in 1998 and 1997 respectively.

16. There are plans to conduct capacity-building training workshops on the application of environmental valuation methodologies, as appropriate, in environmental impact assessments, cost-benefit analyses, risk assessments, and natural resource accounting during the 2000-2001 biennium. Particular emphasis will be placed on modalities for enhancing cooperation and networking between developed countries, developing countries and countries with economies in transition, focusing especially on national regional centres.

D. Economic instruments

17. UNEP has been promoting the development, design, and application of market-based instruments to influence attitudes, and also consumption and production patterns, so as to achieve sound environmental management and sustainable development. A major objective of current country-case studies is to pinpoint the specific conditions for the optimal design and use of economic instruments, with a focus on practical, real-world scenarios for introducing economic instruments, adopting a consultative and transparent approach involving major stakeholders, with a view to providing guidance, particularly on how to forge policy integration at the national level, to design and implement economic instruments on specific sectors of particular

importance in the economies of host countries. Relevant technical assistance and training activities are also provided. These activities include the publication of a compendium of country case-studies on the application of economic instruments in developing countries and countries with economies in transition and a book focusing on developing country experience with economic instruments. UNEP will continue to support empirical research and the elaboration of practical approaches and guidelines on economic instrument use.

18. For the biennium 2000-2001, it is proposed that further country case-studies be conducted, with the aim of expanding the analysis and sharing of experience, particularly in developing countries and countries with economies in transition, with regard to how economic instruments can be applied for sustainable development and what their likely impacts will be. Further capacity-building workshops will be held to enhance understanding of the use of economic instruments, to determine the limitations and constraints of using various instruments, and to identify what kinds of instruments should be used for different needs and settings. In addition, through consultative meetings focused on leveraging the participation and integration of concerns of developing countries and countries with economies in transition, it is planned to provide a continuous international consultative process to help overcome constraints and impediments to the use and application of economic instruments and to address the necessary technical, institutional and financial requirements needed to promote their use. Particular emphasis in UNEP's work will be placed on the use of economic instruments in the implementation of multilateral environmental agreements. Such use includes the contribution by UNEP in providing options for operationalizing market-based mechanisms related to multilateral environmental agreements, including the United Nations Framework Convention on Climate Change and its Kyoto Protocol.

E. Trade and the environment

19. UNEP continues to attach importance to improving the understanding of the environmental impacts of world trade and trade liberalization, and also to various aspects within the trade-environment debate of environmental policy and its interface with economics, commercial and industrial-related practices, international law, and governance issues. Together with UNCTAD, UNEP has launched a technical assistance programme on trade, environment and development, which focuses on enhancing the capacities of countries to assess the environmental impacts of trade and liberalization policies and the development of policy packages for the integration of environmental considerations in trade policies.

20. UNEP has continued to promote the understanding of the interface between trade and environment through studies and research work, and also its publications in the UNEP Trade Series. These include a study of the impact of subsidies on the fisheries sector, a study on the impact of changes in consumption patterns in the North on exporting developing countries in the South, and a synthesis report on the effectiveness of different measures, including trade measures, in implementing certain environment-related conventions.

21. UNEP will continue to provide assistance to countries in the design and implementation of policy packages for integrating environmental considerations in trade policies. It is proposed that UNEP continue providing assistance through national and regional capacity-building workshops on methodologies for the assessment of the impact of trade liberalization on the environment and natural-resource use and on the design of policy packages and approaches to promote the integration of environmental considerations in trade policies. It should also focus on convening sectoral analysis workshops in order to provide more robust quantitative and qualitative data to decision makers on the environmental benefits of removing trade restrictions and distortions in various key sectors, including agriculture, energy, fisheries, transport, textiles, and services. The results of such work would be useful to Governments in assessing the implication of trade liberalization, as well as in building their capacities to predict more accurately the domestic and international response measures needed to mitigate negative environmental impacts and to maximize environmental benefits.

22. It is also recommended that UNEP continue building coherence and coordination among UNEP-administered multilateral environmental agreements on the issue of trade and environment, by preparing analysis on coherence and common environmental principles, including the precautionary principle. It is necessary, in addition, to undertake an assessment of performance indicators with a focus on analysis, methodology and reporting; and to prepare a report on the trade and economic implications of implementing different conventions. Such work would serve to assist Governments in addressing areas of increasing importance to trade policy, including the implications of certain environmental principles on the intersection between trade and commercial policy and the role of science in setting environmental or other non-commercial standards. Trade and economic issues in the context of multilateral environmental agreements provide an opportunity for environmental conventions to begin speaking with one voice on certain issues of mutual interest. UNEP and the World Trade Organization (WTO) are currently examining a framework arrangement between WTO and the multilateral environmental agreements. This framework is intended to promote dialogue between the UNEP-administered conventions and WTO and to enhance understanding by the trade community of basic assumptions about environmental policy.

F. Financial services and the environment

23. UNEP continues to contribute to international efforts to promote and facilitate environmentally responsible investments within the financial services sector. UNEP has been working closely with banks and insurance companies since the early 1990s and has launched two initiatives for both sectors. Over 200 institutions now participate in the initiatives, which aim at promoting environmentally sound practices in the internal and external operations by these institutions. UNEP continues to provide a global outreach, which has brought together as many as 600 leaders in this area.

24. In order to strengthen the environmental performance of the financial community and to build on the capacity of the existing network of over 4,000 banks and insurance companies across the world, it is essential that future policy and advisory services provide opportunities for more extensive broad

consultation through targeted regional financial institutions and insurance industry meetings and round-tables that are linked to existing work related to the implementation of multilateral environmental agreements. Further support is required, through the development of resource documents and environmental procedures and guidelines for the financial services sector. At the same time, dialogue and collaboration between the financial services sector and the public sector must be enhanced, in order to ensure complementarity between government investment policies and financial services sector investment policies in pursuit of sustainable development.

III. GAPS

27. Limited funds have been available from the Environment Fund for the provision of assistance to Governments in the fields of economics, trade and financial services, and most activities undertaken in this area were funded by counterpart contributions. An increase in allocations from the Environment Fund would thus be needed in order to forge a more effective strategy for assisting countries, particularly developing countries and countries with economies in transition, to develop and apply integrated environment and economic analysis, policies, and instruments for sound environmental management and sustainable development.

25. A critical mass of knowledge and human and institutional capacity is needed for the development and implementation of integrated policies aimed at achieving environmentally sound management and sustainable development. The underlying causes for environmental degradation continue to be, first, the failure of Governments to consider the implications of development activities and effectively to regulate and use natural resources in a sustainable way; second, failure to internalize environmental costs into market prices; third, the failure of markets and Governments to reflect the depletion and degradation of natural resources in their national income accounts; and, fourth, the choice of inappropriate technologies. The capacities of countries must be enhanced in order to enable the application of assessment and incentive measures as part of a policy packages for developing and implementing environmentally sound policies and programmes.

26. There is still a gap in the availability and flow of information and knowledge and relevant experience of practical and implementable approaches and policies for adaptation and implementation, particularly in developing countries and countries with economies in transition. Such knowledge and information must be shared, in order to provide a deeper and more rigorous assessment both of economic policies and instruments, and of the domestic and international regulatory responses required to mitigate and maximize the environmental as well as economic benefits associated with the adoption of macroeconomic policies for sustainable development, including trade policies. Governments need to be equipped to use methodologies for valuing natural resources, improving cost-benefit analysis, to apply environmental risk tools to financial institutions, as well as to assess – at the economy-wide, country-specific and sectoral level – the linkages between trade policies, trade liberalization and environmental effects.

27. Another gap that must be addressed in the UNEP's future work is the designing cost-effective market-based instruments in combination with legal and other measures, including voluntary measures, as part of a policy package to influence attitudes, consumption and production patterns towards the environment, and to promote the optimum allocation and use of natural resources, particularly in vulnerable and extensively polluting sectors. Much work remains to be done to demonstrate the efficiency and cost-effective properties of induced voluntary measures to support and complement direct government regulation, to assess the applicability of particular economic instruments in this regard to the specific circumstances of developing countries and countries with economies in transition, and to design and implement market incentives that lead to an enhanced role of the private sector and reduce public expenditure on pollution control. There has been an increased recognition of the role of utilizing market forces through the use of economic instruments and other mechanisms to achieve the objectives of multilateral environmental agreements. Much still remains to be done, however, on the development and design of economic instruments and other market mechanisms within the framework of environmental conventions and on efforts to reach consensus on issues of particular concerns and interest to developing countries, developed countries and countries with economies in transition.

28. At the international level, considerable progress has been made by the environment and development communities since the 1992 United Nations Conference on Environment and Development in acting on environmental priorities in the face of accelerating global environmental degradation. While the foundation of a dialogue has now been built, it is now time to strengthen the implementation of multilateral environmental agreements and, for that purpose, to provide frameworks in other areas where these are needed. In particular, efforts must be made to ensure a continuous dialogue and a platform which provides a level playing-field, so that concerns and challenges relating to the design and application of economic instruments can be properly addressed. As part of this process, there is a need to consolidate analytical work and experience in the assessment and comparison of different economic instruments, and to achieve greater coherence in their use, as part of a package of measures to achieve environmental objectives at the national level as well as that of multilateral environmental agreements.

29. It is important to underline that all major stakeholders must be involved from the outset in addressing the challenges of sustainable development. Both at the national and international levels, policies at their implementation stages are more likely to succeed when a diverse range of stakeholders, with different perspectives, engages in a real dialogue – in other words, when economics and trade officials and environmental and development practitioners work together, and when, through the necessary cooperation, it is possible to tap the talents and energies of non-governmental organizations, industry representatives and public citizens from developing and developed countries alike. Yet, there is still insufficient collaboration with stakeholders, so that public awareness and linkages between government, researchers, the mass media, non-governmental organizations, academics, the private sector and civil society need to be improved. Emphasis must be placed on promoting dialogue between government entities and communities dealing with trade, environment and development in a transparent and open manner.

30. Within the national and international financial services community, in both the public and private sector, the most commonly cited barrier to the better integration of environmental considerations into risk management, for both investment and lending decisions, is the lack of an agreed set of matrices that will translate and integrate environmental and financial factors. UNEP is working with all major groups, and with an inclusive approach to all stakeholders, with a view to producing a set of indicators applicable to the financial-services sector that will find acceptance across these boundaries and harmonize the complementary work currently under way in other sectors.

IV. THE WAY FORWARD

31. Market behaviour has not borne out the pessimistic predictions of overshoot and collapse and resource exhaustion. Markets have responded swiftly and automatically to deal with those resources experiencing higher prices, and demand for these resources has been reduced and substitution encouraged. Nevertheless, the market still cannot choose dynamically efficient and sustainable paths for the future, a fact most evident in its over-exploitation of common property resources such as fish or water resources. Uncontrolled markets can produce too much pollution and have a tendency to underprice commodities that contribute to pollution either when produced or consumed. There is, therefore, a need, particularly acute in controlling pollution, for increased government intervention through assessment tools but also through economic incentives to encourage behavioural change among consumers and producers, while also providing resources for environmental-protection efforts.

32. Along with adjusting uncontrolled markets, there is the need to assist Governments in correcting policy and market failures caused by government intervention. Price controls in the energy and water sectors have reduced the incentives for expanding supply and tilted the time profile of consumption to the present, and, as with the case of natural gas, these controls can even cause biases that interfere with the transition to renewable resources. There are several limiting factors to economic instrument use in developing countries and countries with economies in transition, including the lack of human and institutional capacities, the fact that experience gained by developed countries is not easily transferable to developing countries and countries with economies in transition and that, in many instances, these instruments are not specifically used to achieve environmental objectives. Moreover, in order to be able to apply effectively economic instruments to achieve environmental objects and sustainable development, issues related to competitiveness, market access, cooperation in the field of environmental technology, financial transfers and capacity-building need to be addressed.

33. The past two decades have seen a proliferation of national environmental laws and multilateral environmental agreements, along with a rapid expansion of international trade and investment. For the most part, the two regimes – environmental protection and international trade – have developed independently. The environmental implications of trade liberalization are poorly understood, and efforts by Governments and international bodies to determine how different trade patterns and policies

affect the environment are still in their infancy. Generalizations about whether the net environmental effects from liberalizing trade will be positive or negative are usually too simplistic to be of much use for policy-making. The actual effects depend on the specific context, including the capabilities of different nations to implement effective environmental protection regimes. Decision makers thus require more robust quantitative and qualitative data on the economics of the Uruguay Round and sectoral implications, and methodologies to identify correlations between economic data and environmental indicators at the global, economy-wide, and sectoral levels.

34. The public sector's financial needs for environmental management and sustainable development are varied and far-reaching. Clearly, developing countries and countries with economies in transition do not have the necessary financial resources to address directly such problems as combating poverty and improving health, halting deforestation and controlling desertification, reducing population pressures and protecting fragile ecosystems, to mention but a few areas. Nor do they have sufficient resources to stabilize environmental degradation at current levels. The private sector, too, needs funds to comply with regulations, pay pollution charges, to undertake environmental investments, to retrofit or relocate existing plants and equipment, and to redesign products and invest in technological innovation. Partnerships between the public sector and the private sector must be strengthened to help meet the financial needs of individual countries and the global economy for pursuing sustainable development, but also to help Government and the private sector jointly to formulate frameworks in which environmentally responsible investments and business operations are to be pursued.